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CORPORATE POLITICAL NETWORKS AND TRADE POLICY FORMATION

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REFLEXIVE STATEMENTS

This paper presents a preliminary inquiry into the results of two years of collaborative research and data collection. Since 1998, Derek Darves has researched the political and economic consequences of growing international trade between developing and developed countries, with particular emphasis on the processes of resource mobilization and collective action employed by large U.S. multinational firms to secure business favorable legal frameworks governing international trade. I share Mr. Dreiling's concerns with the apparent exclusiveness of trade governing bodies such as the WTO. The consequences of such closed systems are perhaps most prominently seen in the present lack of meaningful labor and environmental protections within the major multinational trade governing bodies. The present paper explores several domestic organizations, both governmental and private, utilized by corporations to sustain and augment the disproportionate power wielded by large multinational firms in the U.S. trade policy formation process.

Since the initial debate over the North American Free Trade Agreement (NAFTA) in 1991, Michael Dreiling studied the political, ecological and social consequences of trade and investment patterns in North America. My assessment of these patterns was influenced by literature on the political economy of development and later, by the history of social movements in the global South. In the course of these studies, concerns over the impacts of NAFTA and the World Trade Organization on democratic governance were raised both by social movements and by my own inquiries. As a sociologist, I became increasingly interested in the role of corporate executives in the formation of trade policy and consequently conducted careful research on the topic. I remain concerned about the limits placed on democratic governance over trade policy and would like to see concrete labor, environmental, and human rights standards at the center of U.S. trade policy.

INTRODUCTION

In October 2000, a brief but momentous conflict concluded with then-president Clinton signing a bill to permanently normalize trade relations (PNTR) with China. In the span of a little over one year, a sweeping pan-corporate alliance spent over \$113 million to pass the legislation, making it the most expensive policy campaign in U.S. history (Woodall, Wallach, Roach, and Burnham 2000). The principle proponents of the legislation included thousands of corporations and business associations in the U.S. They in turn faced a broad array of opponents on the left and right, from labor unions to antiabortion conservatives.¹ The signing of the bill and the corporate mobilization to ensure its passage concluded a decade of contentious politics over international trade policy, highlighting the unease of trade politics in this recent phase of globalization.

Much of the concern over the passage of recent trade agreements centers on the potential conflicts between the global economic interests of large corporations and domestic political priorities. Critics of PNTR, for example, argued that the concentration of resources among prominent US firms allowed business interests to collectively exert a disproportionate influence on the political process and thereby compromise democratic deliberation. These concerns, as well as recent scholarship on corporations and global market expansion, stress a recurring tension found in the political history of modern states: a tension between corporate political influence and democracy. In this paper, we examine several theoretical frameworks that explain the relationship between corporate collective action and state policy formation with the hope of informing future work in this area.

Empirically, we examine the organizational affiliations and political contributions of fifty *Fortune* 200 firms from 1998.² Our firm and interfirm level data and our substantive attention to the political locations of corporate actors in deliberations over trade policy offer an unusual window for evaluating theories of corporate political action and state policy formation. Two sets of twenty-five randomly selected firms were drawn from the *Fortune* 200. Twenty-five consisted of participants in an executive branch advisory committee central in defining and implementing U.S. trade policies. The remaining sample of *Fortune* 200 firms was non-participants in the trade advisory committee. Four related questions are assessed empirically. First, do firms that participate in executive-branch trade policy committees (state advisors) have larger PAC contributions than similarly sized non-participants? Second, are state advisors more likely to participate in collective political action lobbying for specific trade

policy outcomes (e.g., the pan-corporate USA*NAFTA coalition)? Third, are state advisors more likely to be connected to ongoing elite policy formation organizations, such as the Business Roundtable and the Emergency Committee on Trade? Finally, are state advisors generally drawn from firms with a greater number of board interlocks relative to similarly sized companies?

Our data allow us to examine several dimensions of the political activities of large US corporations in trade politics. Of principle interest is the degree of difference in the political networks and Political Action Committee (PAC) donations of firms selected to participate in state advisory committees relative to non-participants.³ Much of the literature on trade policy formation leaves the relationship of corporations to both other firms *and* the state either unexamined or limited to a single instance of policy making, focusing on corporate lobbies in the legislature for instance. We provide an account of corporate political involvement across key government institutions, stretching between the Executive and Legislative branches of government. Our data strongly suggest that patterns of firm affiliation with prominent policy formation bodies influence participation in both Department of Commerce state advisory committees as well as legislative PAC contributions.

MAKING SENSE OF INTERNATIONAL TRADE POLITICS

An extensive body of literature investigating firm-level trade preferences documents several postwar trends in corporate strategies for trade relief or expansion (Destler 1995; Milner and Yoffie 1989; Bauer, Pool & Dexter 1972; Baldwin 1989). In general, these studies stress the importance of a firm's position within product markets, and have found that firms that compete heavily with imported goods tend to favor protectionist trade policy, while firms with several foreign subsidiaries (MNCs), or that benefit from exports, tend to support liberalized trade relations. Within this framework, the range of corporate political strategies available to corporations (in the trade policy formation process) has been described as the "protectionist versus free trade dichotomy"⁴ (Milner and Yoffie 1989: 239).

Contemporary theorists of economic globalization have largely abandoned this conceptual dichotomy, developing increasingly sophisticated models of, for example, the inter-relationship between corporate foreign investment and variation in the global price of labor (Feenstra 1998; Gereffi 1995; Held, McGrew, Goldblatt, and Perraton 1999; Rodrik 1997). Much of this research posits that advances in telecommunication and capital technologies

facilitated the emergence of a global distribution of production that minimizes firm losses incurred through labor cost disadvantages relative to foreign competitors (Gereffi 1995). Extensive intrafirm trade embedded within commodity chains spanning numerous countries, it is argued, precipitates a decline in protectionist trade preferences among corporations.⁵ As trade barriers decline, firms in highly labor-intensive sectors increasingly seek stable foreign economies in which to locate their productive facilities (Feenstra 1998).

With respect to the development of international trade regimes, several analysts argue that firms with multiple foreign subsidiary operations are more likely to favor free trade and engage in some form of trade politics (Milner and Yoffie 1989: 242; Baldwin 1989: 59). Citing the cost disadvantages associated with tariffs, quotas and transportation costs, these researchers posit that the transaction costs of international transactions factor significantly in a company's trade preferences (Yarbrough and Yarbrough 1992). Intrafirm transactions comprise a considerable share of the global trade in goods and services. Clausing (2001) estimates that intrafirm transactions have, for several decades, accounted for nearly forty-percent of international commerce. Thus, for multinational corporations, changing patterns of trade and investment require new organizational forms and trade policy priorities to facilitate foreign investment and expand market share.

While a considerable amount of research suggests the importance of these types of organizationally structured interests in the determination of firm-level trade preferences, several limitations materialize. In particular, few of these researchers estimate the significance of *interfirm* political association, cited by power structure theorists, in forging a general corporate consensus on matters pertaining to trade (Domhoff 1990; Dreiling 2000). In contrast to theories that stress the political ramifications of intercorporate solidarity, analysts of trade politics typically conceptualize firms as atomistic "sites" of economic activity (Baldwin 1989; Krueger 1995; Rogowski 1989).

Additionally, conventional models of trade-policy formation often assume that autonomous state actors channel their economic "interests" into the development of international trade agreements and are thus considered the principal protagonists of such agreements (Destler 1995; Krueger 1995). Large volumes of international trade, it is argued, increase the economic interdependence between nations and, in the process, generate political incentives for state actors to develop regional and global trade regimes that facilitate international transactions and protect foreign investment (Fieleke 1998). Consequently, both state and corporate actors face increasing pressures to

conform to changing economic dynamics generated by structural transformations within the global economy. From this perspective, the advance of neoliberal free trade agreements stems from the confluence of the economic activities of global corporations and political incentives generated by expanding global markets. Thus, for state actors, the economic pressures associated with interstate competition for global market share, as well as concerns for domestic economic growth, pressure these actors to advance the trade interests of economically strategic industries and their firms. However, because firm level trade preferences are inferred from the economic interests of the multinational corporation, as well as the aggregate growth of global firms, collective political action is infrequently assessed. An analysis of the actual political organization and collective action of firms is not apparent in this literature.

The political impetus for U.S. trade policy is thus regarded a function of either the changing organizational structure of the economy's dominant firms (as with the trend toward a greater number of foreign subsidiaries), or a function of the strategic actions of state actors seeking to maximize the relative strength of the state and economy amid shifting geo-political and economic alignments. In both of these theoretical frameworks, trade policy priorities are derived from either the *interests* of key firms and sectors or the strategic rationality of *state* actors. Neither interpretation provides a plausible theoretical path with which to investigate the *collective* political action of the leaders of large global firms.

The analytical perspectives summarized above, whether derived from structural Marxist or pluralist theory, is prefaced upon the purported political fragmentation of corporate elite. Destler's (1995) extensive analysis of U.S. trade politics, for example, renders little significance to the political consequences of corporate collective action. When collective action for free or restricted trade occurs, it is interpreted as the outcome of a temporary convergence of interests among a generally atomized corporate community (Destler 1995: 195; see also Milner and Yoffie 1989). Moreover, the relationship between membership in these organizations and firm appointment to non-elected trade advisory posts is largely ignored.

THEORIES OF CLASS-STATE ASSOCIATION

In contrast to the perspectives presented above, theories that accentuate the association between state and class actors locate business influence over state policy formation within the political networks interconnecting prominent corporate leaders to government. By class actors, we refer to the corporate

executives of large American companies and the attendant organizations of capital, like the Business Roundtable, that confront the political arena. Quite apart from the pluralistic and economistic assumptions of conventional trade policy literature, we propose an alternative framework, a model of class-state association that considers the importance of avenues between the state and leading economic actors in the formation of trade policy. These avenues, we suggest, operate through formal institutional settings and comprise a portion of the larger, intertwined networks linking the "economic" and the "political" spheres of society. Unlike the conventional literature on trade policy, our emphasis on class-state association assumes the concrete historical possibility of a politicized segment of business that wields overwhelming influence in state policy and trade policy in particular.

Building on the work of Mills (1956), subsequent research on the relationship between political governance and the organization of corporate, class interests, identifies mechanisms linking corporate elite to decision-making sites within the state. The theoretical assumption is that business, or at least the largest corporations, form enduring political alliances and, hence, achieve lasting influence in government. These perspectives, which we classify as theories of class-state association, argue that corporate leaders, while competitive organizationally, form stable communication networks to both the state and other firms. These networks, it is argued, constitute an important component of intercorporate political unity.

Domhoff (2002), Mizruchi (1992) and Useem (1984) argue that the very structure of intercorporate relations, interest group representation, and policy activity generates a socially embedded milieu that further enables conflict resolution among corporate elite and, sometimes, the formulation of more general, classwide aims (See also Mills 1956). Class formation is thus a consequence of converging concentrations of capital in large corporations and the social overlap of these corporations and their executives in multiple institutional spheres. From a class perspective, an "inner circle" - whose collective outlook is generated from a unique structural locale spanning myriad social organizations, corporations and state agencies - emerges within highly interlocked sectors of the most influential corporations (Useem 1984). Mizruchi (1989) argues that "business unity" theories, characteristic of class domination and power structure approaches, depict corporate collective action relationally, where unity stems from the interaction of corporate actors in a wider structure of social and intercorporate relationships (See, Allen 1974; Clawson, Neustadt, and Bearden 1986; Domhoff 2002, 1998; Mills 1956; Mintz and Schwartz 1985;

Mizruchi and Schwartz 1987; Useem 1984; Zeitlin 1974). As he argues, business unity "is not inherent; rather, it is socially constructed through negotiation among its leading representatives" (Mizruchi 1992:22).

Building from this larger theoretical framework, power structure and class-based accounts of trade policy formation emphasize the relative role of the economy's largest firms in the policy formation process. Among the largest corporations, certain sectors typically occupy the leading edge of corporate political activity. In the U.S., for example, the financial sector has occupied a central role in corporate networks and political leadership. The relative roles of groups of corporations are structured by control over capital flows, types of association with government institutions, degree of industry regulation, and changing dynamics in the world economy (Domhoff 1990; Mintz and Schwartz 1985; Frieden 1988). Domhoff (1990), for instance, offers a class interpretation of trade policy conflicts between 1929-1934, arguing that the shift from free trade under Hoover to more managed trade under Roosevelt signaled an ascent of the internationalist wing of business in America, displacing the otherwise nationalist-oriented businesses who wielded political power on trade and tariff policy via the legislature (and who were previously responsible for Smoot-Hawley tariffs in 1930) (see also Frieden 1988). Likewise, Shoup and Minter's (1977) account of the rise of the post-war trading system emphasizes the role of prominent policy planning organizations, such as the Council on Foreign Relations, in initiating and advancing a foreign economic policy agenda, formalized in the Bretton Woods meetings, consonant with the interests of firms oriented toward foreign markets.

The common assumption underlying these perspectives is that certain sectors of the business community are unified, more or less under different historical circumstances, and that unity emerges from active participation in a wide range of corporate networks. Thus, from the perspective of class-state association, we expect corporations with greater centrality in the intercorporate network-which includes elite social institutions, prominent business advocacy organizations, and economic relationships created by interlocking directorates-to assume active roles in the formation of trade policy both within government as well as in the promotion of that agenda outside of government.

THE TRADE ADVISORY COMMITTEE NETWORK

If business political activism around trade policy is theorized to be fragmentary - as pluralist and conventional trade policy theories suggest - then international

trade regimes are ostensibly the product of "autonomous" state actors (Destler 1995). We argue that this assumption unnecessarily divides the interests of large MNCs from those of the state, giving inadequate weight to the corporate political agency attained through the formation of interfirm networks. The structure of extant state systems, however, cannot be ignored. In this respect, the elaborate web of Department of Commerce trade advisory committees creates a tractable interface for corporate executives to exert both considerable influences over trade policy formation, and in the process sustains solidaristic ties between business and the state (Dreiling 2001: 98). At the apex of these non-elected governmental committees is the President's Advisory Committee on Trade Policy and Negotiation (ACTPN)(United States Trade Representative 1994).

As the overseers of the seventeen second-tier Industrial Sector Advisory Committees, and direct advisors to the president of the United States, membership in this organization represents the highest post within the Industry Consultation Program. Of the committee's 29 Fortune 500 members in 1998 (our larger data set), 23 were participants in the Business Roundtable. This close association between corporate leadership groups and trade policy-making suggests a duality in the function of these state institutions. In one respect, governmental agents, such as the US Trade Representative, operate somewhat autonomously. They pursue domestic political interests by securing the strategic appointment of core U.S. industry leaders. As the USTR states, these advisory committees function collaboratively "to ensure that U.S. trade policy and trade negotiations adequately reflect U.S. commercial and economic interests" (U.S. Trade Representative 1994: 114). The strong correlation between ACTPN participation and firm-level political memberships indicates that such quasi-autonomous state institutions create targets for well-organized class actors to focus their political resources and interests within the political system.

In the analysis that follows, we sort out some differences between key firms involved in the state policy-formation process and those that are not. Our exploratory analysis points to the significance of what we are terming "class" factors - such as board of director interlocking and policy group memberships - in defining state policy activity. Note that in our conceptualization of class, we are not including labor leaders, celebrities, and prominent politicians, as has been the focus of some authors (Mills 1956), but rather corporate executives and the organizations of capital in general. Thus, the social space under scrutiny is perhaps best characterized as a series of interconnections and networks that bridge the economy and state - indeed, the crux of class-state association.

DATA AND METHODS

Our data were compiled from multiple primary sources. The data were collected between 1998-2001. From our larger dataset composed of every company in the Fortune 500 directory in 1998, we randomly selected 25 corporations with membership in the President's Advisory Committee on Trade Policy and Negotiation (ACTPN). We also generated a random sample consisting of 25 non-ACTPN firms for use as a reference group. To control for the larger mean size of ACTPN firms, we sampled these twenty-five non-participants from a list of the largest 200 companies, ranked by sales and assets, in the 1998 Fortune 500 directory.⁶ We coded the sample firms' membership in three prominent policy-planning organizations identified in the literature, including the Business Roundtable, the Emergency Committee on American Trade, and the U.S. Council on International Business (See Burris 1992; Dreiling 2001; Domhoff 2002). PAC contribution data were collected from the Federal Election Commission for elections cycles 1994-96 and 1996-98. Finally, directorate data for each firm in the Fortune 500 of the sample firms were collected. A pair of firms was considered to be interlocked when one or more individuals simultaneously occupied both firms' board of directors, that is, where a *direct* interlock was present. We measured the relative importance of a firm within the larger board interlock network using Freeman's (1979) degree centrality score, which is essentially a count of the total number of ties to other firms in the network.⁷

The data were analyzed using several methods adapted from the literature. Using coordinates from a multidimensional scaling of the respective data matrices, figures 1-4 depict spatially the similarities and differences in corporate associations with the policy bodies and board networks. Pearson product moment correlations were used as the metric for similarities between pairs of firms. Contrasts between ACTPN and non-ACTPN firms across each of these networks graphically portray significant differences between mean levels of affiliation. Chi-square tests are used to assess the statistical significance of the mean differences in ACTPN and non-ACTPN firm affiliations with the policy organizations and board interlock network. We partition the interlock network into four ordered categories to perform these tests.⁸ Finally, paired t-tests are employed to test the statistical significance of differences in mean PAC contributions between ACTPN and non-ACTPN affiliated firms.

ANALYSIS

Figure 1 • Private Sector Policy Planning Network of 25 ACTPN Members, 1998
(Plotted with non-metric multi-dimensional scaling coordinates).

- Business Roundtable
- U.S. Council for International Business
- Emergency Committee on American Trade

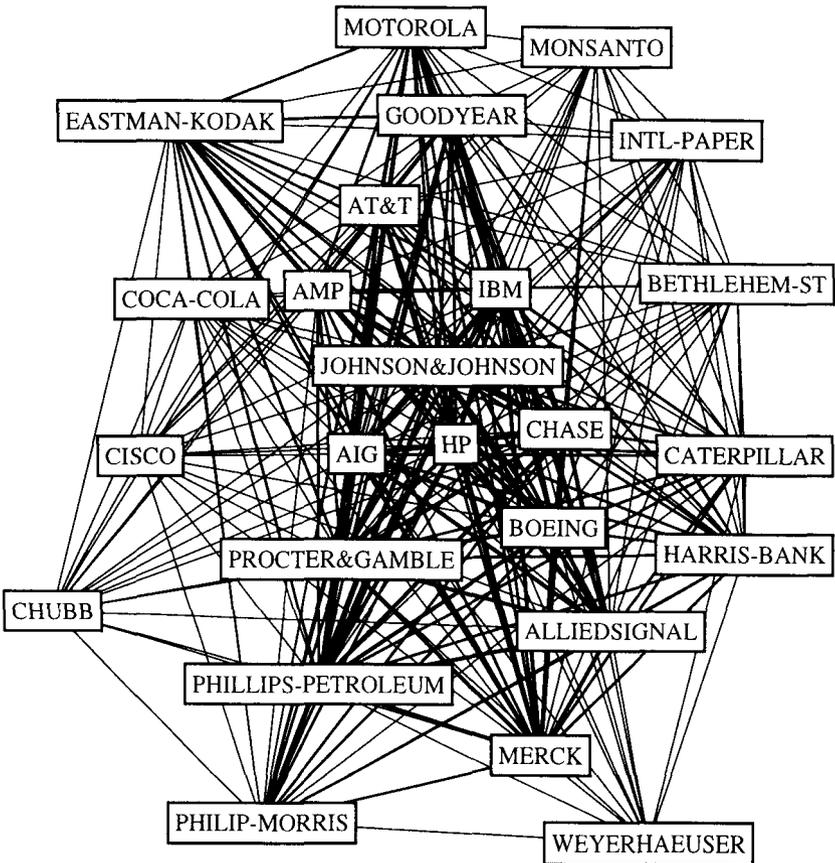
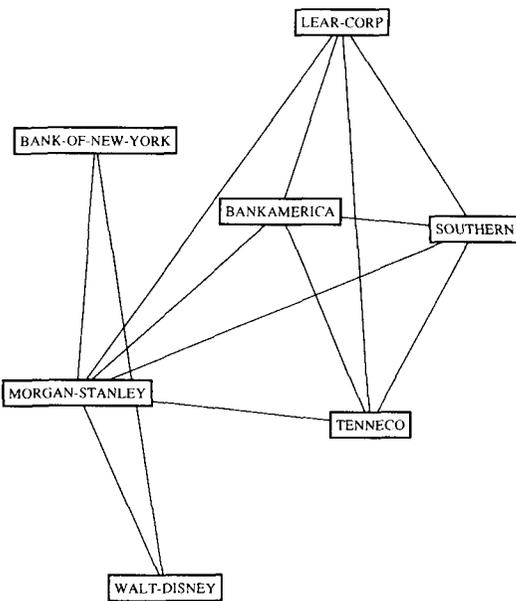


Figure 2 • Private-Sector Policy Network Among 25 Randomly Sampled Non-ACTPN Firms with Sales and Assets Rank 1-200, 1998.

(Plotted with non-metric multi-dimensional scaling coordinates).

- Business Roundtable
- U.S. Council for International Business
- Emergency Committee on American Trade



Isolates:

- ALTEL CORP
- BANKBOSTON CORP
- CHARLES SCHWAB
- COLUMBIA HCA
- CONSECO INC
- FIRST DATA CORP
- H J HEINZ CO
- KEYCORP OHIO
- LOEWS CORP
- MCKESSON HBOC INC
- PHARMACIA & UPJOHN
- TECH DATA CORP
- TOSCO CORP
- UNICOM CORP
- UNITED HEALTHCARE
- UTILICORP UNITED INC
- WALGREEN CO
- WINN DIXIE

Figure 3 • Board of Director Interlock Network Among the 25 ACTPN Members, 1998
(Plotted with non-metric multi-dimensional scaling coordinates).

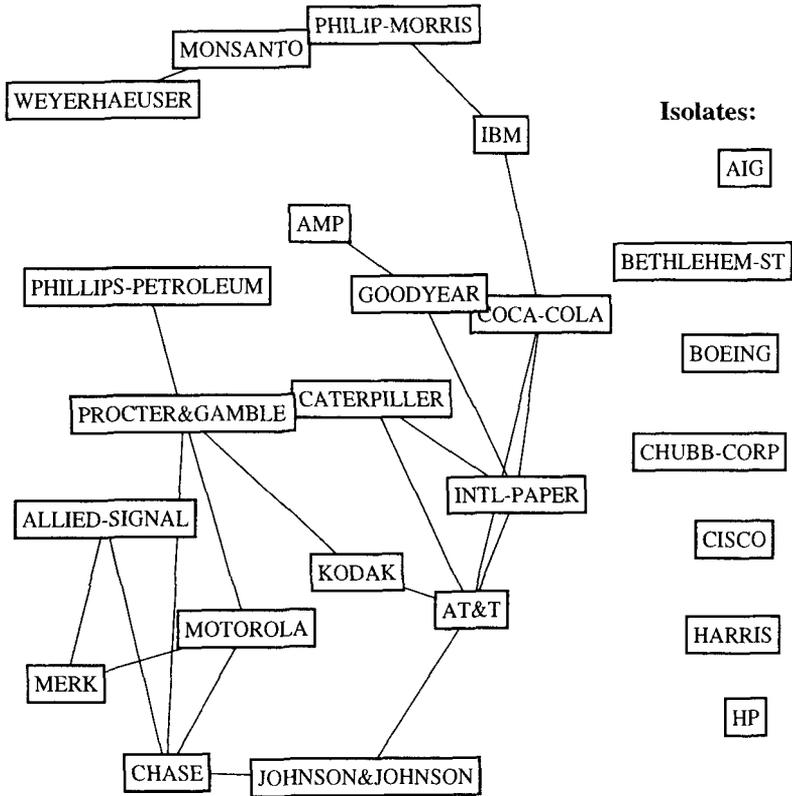
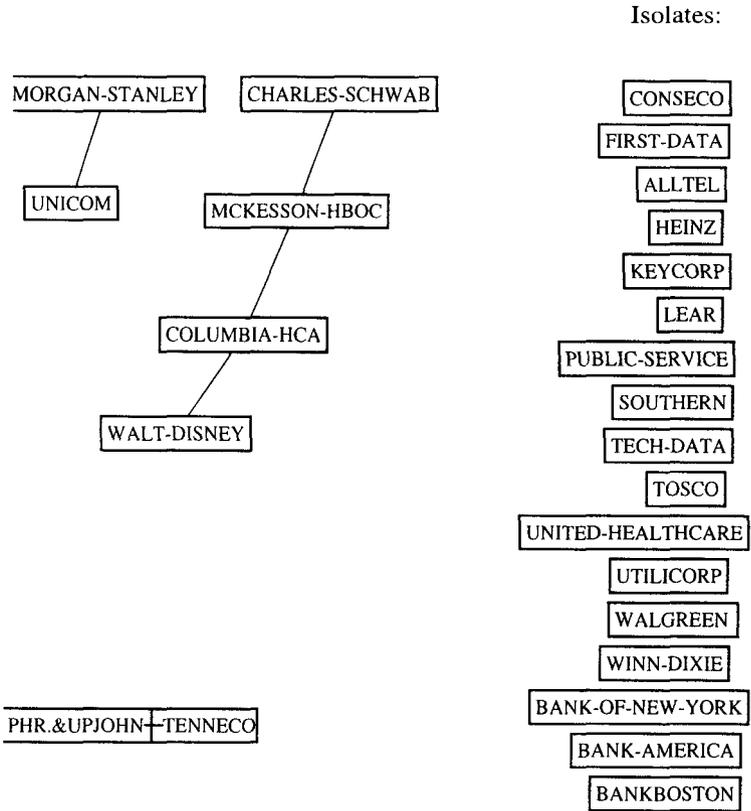


Figure 4 • Board of Director Interlock Network Among the 25 non-ACTPN Firms, 1998
(Plotted with non-metric multi-dimensional scaling coordinates).



Utilizing membership data on common firm affiliation to three prominent business advocacy organizations, the relationship between state advisory committees and these organizations is portrayed graphically in Figures 1 and 2. Figure 1 plots the interconnectivity of 25 ACTPN members to three business advocacy organizations via their multidimensional scaling coordinates. Figure 2 plots the connectivity of the 25 randomly sampled non-ACTPN firms with sales and assets rank 1-200 within the same business advocacy organizations. As is evident by the differing number of disconnected firms in Figures 1 and 2, as well as the sheer difference in magnitude of connection, the political memberships of state advisors and non-advisors diverge considerably. The chi-square tests also indicate that the ACTPN-affiliated corporations share significantly different mean affiliations to these business policy discussion groups than their non-ACTPN counterparts (See Table 1). Similarly, figures 3 and 4 plot the network structure of these firms in terms of their interrelation via overlapping board directorates. While 17 of the non-ACTPN firms were isolated from other firms within the network, only five of the ACTPN participants were isolated from the board of director affiliation network (i.e. had no direct board interlocks to other firms in the sample). Again, our chi-square tests yield significantly different mean affiliations to the board of director network (See Table 2). Firms active in the design of U.S. trade policy are significantly more connected to outside policy organizations and one another.

Table 1 - Affiliation of ACTPN Members with Three Prominent Business Associations

	Business Roundtable ^a		USCIB ^a		ECAT ^a	
	0	1	0	1	0	1
Non-ACTPN	20	5	22	3	25	0
ACTPN	5	20	6	19	11	14
	$X^2 = 18.000^* \text{ b}$		$X^2 = 20.7792^* \text{ b}$		$X^2 = 19.444^* \text{ b}$	

^a 0 = non-member, 1 = member.

^b n = 50, df = 1; * p < .05

Table 2 - Degree Centrality for ACTPN and non-ACTPN Members

	Degree Centrality ^a		Degree Centrality ^a	
	0-9	10+	0-14	15+
Non-ACTPN	16	9	22	3
ACTPN	7	18	14	11
	$X^2 = 6.5217^*$		$X^2 = 6.3492^*$	

^a n = 50, df = 1; * p < .05

Table 3 - Two-sample t-test of PAC Contributions of ACTPN and non-ACTPN Firms

Group	Observed	Mean	Std. Err.
0	25	275541.5	80396.24
1	25	792795.4	212548.7
Combined	50	534168.5	118371.1
Difference		-517253.9	227245.5
df: 48			
H ₀ : mean(0) - mean(1) = diff. = 0; H ₁ : diff. ≠ 0			
t = -2.2762*			
* p < .05			

ACTPN participants also diverge from their non-affiliated counterparts in the relative size of their PAC donations. Table 3 presents a two-sampled t-test of the PAC contributions of both samples. Group 0 (non-ACTPN) has a PAC donation mean value in the 1996 and 1998 election years of \$275,541, while group 1 (ACTPN firms) has a mean value of \$792,795. The observed the divergence in PAC spending between the two samples is significant at the .05 level.

Of the ACTPN participants listed in Figures 1 and 3, many were associated with interfirm political alliances that lobbied for trade-specific legislative outcomes, such as the USA*ENGAGE coalition, a pivotal lobby in the China PNTR debate. USA*ENGAGE, like its predecessor, USA*NAFTA, mobilized a multi-pronged political effort to secure the passage of the PNTR legislation. Like the USA*NAFTA campaign between 1991-1993 (Dreiling 2000), this more recent spate of political initiatives for trade liberalization involves firms with dense member-affiliations to prominent policy organizations. Also similar to the pro-NAFTA mobilization six years earlier was the political

strategies employed. Public relations campaigns as well as collaborative lobbying and campaign support were critical elements to the USA*ENGAGE strategy. Working against opposition from both labor and environmental organizations, USA*ENGAGE and prominent corporate executives supported the PNTR initiative through a combination of actions in the legislative arena, the mass media, the policy network, and, ultimately, in the policy design processes of the trade advisory committees. Their efforts leveraged multiple points of the political process, assembling over \$113.1 million in corporate monies specifically directed to the passage of the bill ⁹ (Woodall et al 2000). From within the state, executives acted as non-elected governmental advisors to build political consensus within a divided Congressional body (ibid.). Operating outside the state, these actors utilized prominent business associations as a vehicle for resource mobilization and political lobbying.

During the year preceding the bill's vote in the House, several influential business advocacy organizations undertook an extensive investigation to determine the minimum number of Congressional "swing" votes needed to pass the legislation. By December of 1999, the Business Roundtable had targeted 71 Congressional districts in which members were encouraged to devote resources for lobbying and advertisements (Salent 1999). During the course of a single month, the organization succeeded in raising over \$4.2 million in political contributions for the bill (Woodall et al. 2000). Directed toward specific regions and Congressional districts, several business advocacy groups organized radio and television advertising campaigns to promote the legislation. According to one observer, this strategy "was used to great success earlier in the year when Congress voted to renew normal trade relations with China for one year" (Salent 1999).

Between January 1999 and May 2000, Business Roundtable members assembled over \$58 million in PAC and soft money contributions. These political expenditures were frequently directed toward key representatives whose vote on the China bill was uncertain. A spokesman for Rep. Merrill Cook (R-UT), for example, divulged that the Congressman was offered \$200,000 in corporate PAC money to change his "no" vote to a "yes" (Woodall et al. 2000: 8-23). Dozens more Congressional fund-raisers for undecided representatives were hosted by the Chamber of Commerce, Emergency Committee on American Trade (ECAT), and the National Association of Manufacturers (Crabtree 2000; Salent 1999). In response, organized labor vigorously opposed the bill, but their political expenditures were outstripped 11:1 by the Business Roundtable alone (Woodall et al 2000). Although it is estimated that 79% of Americans opposed the

legislation, prominent U.S. firms and their associated business interest groups had, by the end of the campaign, secured enough House and Senate votes to pass the bill 237-197 (Woodall et al 2000: 4-7). Other factors, such as aggressive Congressional lobbying by the executive branch, contributed to the bill's passage (Woodall et al. 2000).

DISCUSSION AND CONCLUSION

Government policy shaped by the "voices" of prominent economic actors -- as with the case of trade policy administration -- provides the opportunity for distinct corporate interests to find collective expression in a broader policy formation network. The role of highly networked corporations in ACTPN is a provocative example of this. Our exploratory analysis suggests that corporate appointees to the ACTPN are not isolated economic actors, but actors bound together through continuous interaction within a range of prominent public and private institutions. Indeed, the political solidarity of corporations, and their collective advocacy for trade policy in particular, is a partial consequence of the *network position* of corporate executives in the policy formation process. The close connections between corporate policy organizations such as the Business Roundtable to the ACTPN underscores the need for greater conceptual clarity on government and corporate relations and the political consequences of this type of class-state association.

These observations run counter to the expectations found in much of the literature on trade policy formation. Previously, we suggested that prevailing notions of an autonomous trade policy apparatus rest upon a problematic assumption. Among many trade policy analysts, there is a loosely held assumption that business is not capable of sustaining political solidarity around trade (Bauer, et al 1972; Salisbury 1992). This unnecessarily strong assumption introduces both empirical and conceptual shortcomings to our understanding of trade policy formation. In the first place, the assumption is inconsistent with the empirical findings presented in this paper as well as other research (Dreiling 2000). We simply would not expect some corporation to behave as uniformly across multiple trade-related political institutions if business is fundamentally "divided" on the issue of trade policy. Apart from the empirical limitations of this assumption however, is an equally problematic conceptual issue. If business is "divided", it follows that class based action is not possible: trade policy must be determined either by autonomous state actors or by pressure from specific companies lobbying for their narrow interests. In other words, "class" is

theorized out of political models of trade policy and, more generally, globalization. Because of this, an empirically based theory of the interaction between class-structured business political action and U.S. trade policy formation remains absent from much of the literature.

Given the extensive involvement of corporate leaders in the formation of trade policy, our research suggests a conjunction of capital and states in the construction of international trade policy. It is also evident that certain corporations figure more prominently in these processes. The observations presented here indicate the need for a broader theory of political-economic globalization that accounts for the close coupling of state and class actors. As Sassen argues (1996), the notion that the "state is in decline," increasingly impotent in the advance of global markets, is insufficient. Rather, "the new geography of global economic processes, the strategic territories for economic globalization, have to be defined in terms of both the practices of corporate actors... and the work of the state in producing or legitimizing new legal regimes" (Sassen 1996: 25). In short, the role of corporate agents in constructing new global trade institutions is both a political and economic affair. To understand these processes, it is not only the economic practices of corporations that must be examined, but, as has been the concern of this study, the political as well. International trade regimes may well be a more general phenomenon in which *both* state and class actors expand market authority at the hemispheric and global level.

Trade policy, both its form and the principal actors involved in its creation, is not merely of academic concern. An imminent challenge for human freedom amid this large scale dynamic rest on understanding the coupling of state and class actors, not as a conspiratorial design, but rather as constructed and contingent power processes. Decoupling these power dynamics may prove useful for purposes of political education as well as for movement strategy. Our research presents both the obstacles for citizen entry into trade design as well as a first step toward understanding the challenge of democratizing the governance of global economic integration. In terms of political education, the research we present suggests that movement organizations might point to the specific corporate networks around trade, which are likely to create significant barriers to citizen-based input in the formation of trade policy. A greater public understanding of these power structures will expand the horizon of possibilities for public conceptions of globalization, trade and democracy. To create another possibility, however, requires collective action. We hope our research informs this challenge as well. While the goal of greater citizen - i.e., labor,

environmental, human rights - influence is laudable, our research indicates that the trade policy network remains somewhat isolated from sites of standard citizen influence, such as voting, lobbying, and litigation. Rather, movement mobilization - such as the Seattle demonstrations - and public education of trade and corporate power will likely move us closer to that goal.

ENDNOTES

¹ On the surface, the conflict was framed much like trade policy debates have been framed in the U.S. for well over 170 years: free trade versus protectionist. Yet lurking beneath this simple dichotomy the trumpets to the political left blared concern for human rights, workers, and the environment while the political right spouted anti-communist Americanism and economic nationalism. Unlike the liberal-left mobilization in the "Battle in Seattle" one year earlier, the political right rose to a prominent place of opposition to freer trade with China and labor took a more conciliatory, indeed, even nationalistic stance against PNTR for China.

² Previous research on corporate involvement in the passage of NAFTA utilized a sample of firms from 1992, drawn randomly from a population of 2400 firms. The results of that research (See Dreiling 2000, 2001) motivated the questions addressed in this research. The present research focuses on corporate participation in state policy formation rather than collective political action, as was done in the previous work. Nonetheless, some readers may identify similarities between these two periods, indeed, the constancy of corporate involvement across the six year period is what makes this work so striking.

³ For a discussion of PACs and the Fortune 500, see Boies (1989) and Clawson & Neustadt (1989).

⁴ For many firms and industries, this schema is sufficient to represent a portion of the observable variation in trade preferences. The steel industry, for example, has fought for some time to restrict East-Asian steel imports, while several large U.S. agribusinesses have lobbied congress to grant Most Favored Nation (MFN) status to China in order to open its markets to U.S. agricultural exports (Destler 1995: 159). Milner and Yoffie (1989), however, posit that this dichotomy is too limited to grasp many of the subtle complexities of modern trade politics. Their research on several U.S. industries in the 1980s found that imperfect competition often determines whether an industry will form protectionist or pro-trade interfirm alliances. For example, one firm may produce a good with few close substitutes, while another firm within the same industry may produce a product

that has a similar imported counterpart. In such a scenario, the ability of firms to engage in collective action to limit importation is inhibited, due to interfirm divergence in the perceived threat of imports.

⁵ Watson, for example, cites that one Nike product, the "Air Max Penny," incorporates 52 separate components produced in five different countries (Watson 1997: 11).

⁶ ACTPN firms, which number 29 in total, were excluded from the sample prior to the creation of the list of 200 companies to avoid double sampling.

⁷ Specifically, the Freeman Degree centrality scores were computed using the two samples of 25 companies, i.e. with two 25-by-25 board of director affiliation matrices.

⁸ The number of board interlocks for each firm is the total number of direct ties to all firms in the Fortune 500, 1998. Note however that in figures 1-4 we plotted the ties between firms within the smaller samples of companies because we cannot plot and connect the ties of the 25 companies to all firms in the Fortune 500 simultaneously. However, in table 2 we examined the significance of the board interlock measure using two different scales. The first distinguished between firms with less than 10 interlocks to each firm in the Fortune 500 and those with ten or more (left columns, Table 2). We then performed the same statistical test with a different scale; firms with less than 15 interlocks to each firm in the Fortune 500 were distinguished from firms with fifteen or more interlocks (right columns, Table 2). In both cases, the mean difference in number of interlocks between ACTPN and non-ACTPN firms remained significant.

⁹ These organizations included ALOT, the Business Roundtable, Chamber of Commerce, and several other advocacy organizations (Woodall et al. 2000).

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